Malaysia Food Security (Part 1)

Progress Made but Emerging Risks Remain

Authors

MBSB Research team
research@mbsb.com

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- Malaysia's food security has improved, but weaker availability and dependence on imported staples and agricultural inputs leave the system exposed to external shocks.
- Geopolitical conflict could raise energy, fertiliser, feed, freight and packaging costs, with delayed effects on yields, supply and food prices in 2027. Meanwhile, climate change, El Niño, export restrictions and currency volatility could intensify these pressures and undermine affordability.
- Malaysia is well supplied in palm oil, chicken and eggs, but remains vulnerable in rice, beef, mutton and vegetables.
- Investment strategy should prioritise resilient companies with domestic production, integrated operations, diversified procurement, inventory buffers and strong balance sheets.
- Plantations carry the lowest risk, followed by integrated poultry, retailers and domestic dairy, while livestock carries the highest risk.
- Companies mentioned in this report: SD Guthrie (TP: RM7.65), Genting Plantation (TP: RM6.94), Sarawak Plantation (TP: RM5.36), Johor Plantation (TP: RM2.21) and Ta Ann (TP: RM6.72), Leong Hup (BUY, TP: RM1.03), QL Resources (NEUTRAL, TP: RM4.11), 99 Speed Mart (BUY, TP: RM4.37) and F&N (NEUTRAL, TP: RM25.71).

BACKGROUND

Food Security Will Be a Major Risk in 2027

Food security risk due to delayed transmission of the US-Iran conflict

The immediate impact of the US-Iran conflict on Malaysia's food supply is likely to be manageable, but the greater risk lies in its delayed transmission through the agricultural production cycle. Sustained disruption to Middle Eastern energy and shipping routes would raise crude oil, natural gas, freight and insurance costs. These pressures would first surface in the prices of fertiliser, animal feed, packaging, electricity and transportation before passing through to farm output and retail food prices. As farmers make planting and production decisions several months in advance, the full effect may only become visible in lower yields, tighter supply and higher food prices in 2027, even if the geopolitical conflict subsequently moderates.

Fertiliser represents one of the most important transmission channels

Higher natural-gas and energy prices raise the production cost of nitrogen-based fertilisers, while disruptions to maritime trade may also affect the availability and delivery of fertiliser inputs. Farmers facing higher costs or uncertain supply may reduce fertiliser application, delay planting or switch to less input-intensive crops. These adjustments may preserve cash flow in the near term but could weaken yields during subsequent harvests. The resulting food-security risk is therefore not necessarily an immediate shortage, but a gradual deterioration in agricultural productivity and a tightening of supply in the following planting season.

The energy shock may also spread across the food chain

Higher diesel prices increase the cost of mechanised farming, irrigation, fishing, food processing and road transportation, while elevated electricity costs affect cold storage, warehousing and manufacturing. Higher crude-oil and petrochemical prices can also raise the cost of plastic packaging, bottles, films and other materials needed to bring food products to market. For imported food, Malaysia may face an additional increase in landed costs through higher freight, shipping insurance and longer delivery routes. Accordingly, food availability could be affected even where the underlying agricultural commodity remains sufficiently supplied, because packaging, storage or transportation becomes more expensive or less reliable.

Compounded by climate change

These geopolitical pressures could be compounded by climate change and increasingly volatile weather patterns. A very strong **El Niño**, prolonged drought, floods, heatwaves or irregular rainfall could reduce crop yields, constrain water availability and affect livestock and fisheries production. The combined occurrence of adverse weather and elevated input costs would be particularly damaging because producers would face weaker biological output at the same time as fertiliser, feed, energy and logistics expenses remain high. Malaysia's reliance on imports for rice, wheat, livestock products, animal feed and selected vegetables means that climate-related production losses in exporting countries could be transmitted directly into domestic availability and prices.

The geopolitical response of food-exporting countries represents a further tail risk

When domestic availability becomes threatened, governments may prioritise national food security through export restrictions, quotas, stockpiling or administrative price controls. Such measures may be rational from an individual country's perspective but can amplify global shortages and price volatility. Malaysia currently benefits from diversified sources for several imported commodities, but diversification provides only partial protection if multiple exporters are simultaneously affected by climate stress, high fertiliser costs or political pressure to retain food domestically. The risk to Malaysia is therefore likely to evolve from **higher production costs**, to **lower future output**, and ultimately to **greater competition for internationally traded food**, making 2027 potentially more challenging than the immediate period of the conflict.

Report series to examine the food security risk, and opportunities

In view of our expectations of the possibility food security issues to manifest globally in 2027, we are taking a closer look at the food security situation in Malaysia. We will be publishing a series of report exploring: (i) Malaysia's food self sufficiency and import dependency, (ii) domestic productions and opportunities, (iii) possible policy recommendations. This report will be the first of such report.

ECONOMICS & POLICY

National Food Security, Self-Sufficiency Ratio, and Import Dependency Ratio

Malaysia is considered as food secure but with long term concerns

Food security is characterised by an adequate, safe and continuous food supply, which forms the bedrock of social stability and national economic development. Anchored in the systemic movement of resources across the entire food supply chain, spanning production, processing, transportation, storage, distribution, and retailing down to the end consumer, each interconnected stage directly dictates market availability, pricing, and overall product quality.

According to the Food and Agriculture Organization (FAO), food security comprises of four core dimensions; consistent availability through domestic production or imports, equitable physical and economic access for all individuals, proper nutritional utilisation and safety, and overall stability against economic or environmental shocks. While Malaysia is currently considered food secure due to high supply availability and baseline affordability, its structural reliance on imports for key staples like rice, wheat, and beef leaves the nation vulnerable to external disruptions, raising long-term concerns surrounding supply chain resilience and national self-sufficiency.

Self-sufficiency ratio

The Self-Sufficiency Ratio (SSR) is a quantitative metric that measures the extent to which a region or nation can satisfy its resource needs through domestic production alone. As defined by the Food and Agriculture Organization (FAO), it compares local output against total domestic supply, calculated as production plus imports minus exports. An SSR of 100% or higher indicates that a country produces enough to cover its overall consumption without relying on net imports.

Malaysia's mixed import dependency

The Import Dependency Ratio (IDR) quantifies a country's reliance on foreign trade to satisfy domestic consumption, serving as a primary indicator of national supply chain exposure. Expressed as the ratio of imports relative to total domestic availability the IDR measures the degree to which a nation relies on international markets for its staple food supply. According to official data from the Department of Statistics Malaysia (DOSM), Malaysia exhibits a dual-track agricultural economy: industrial cash crop dominance (oil palm and rubber) paired with a high structural dependence on imported food items. Meanwhile, even in sectors where Malaysia reports high local self-sufficiency, such as poultry meat and eggs (where SSR typically hovers near 100%), the industry faces a hidden import dependency. Over 90% of grain corn and soybean meal used for poultry feed is imported. Consequently, high IDRs expose Malaysia to foreign exchange risk, global export bans, and supply chain bottlenecks, underscoring the urgent need for targeted import-substitution policies under the National Agrofood Policy 2.0 (NAP 2.0).

Consumption heavily concentrated in 8 high volume items

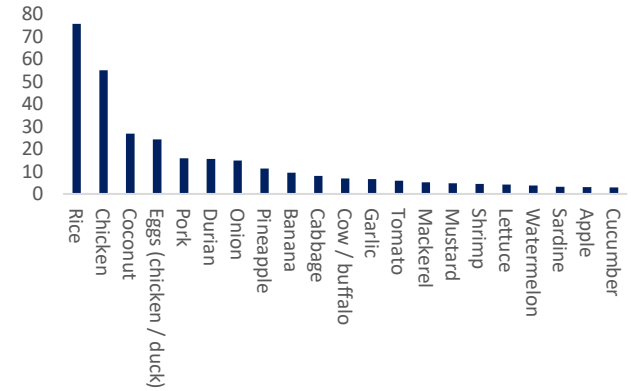
An analysis of Malaysia's top 20 agricultural commodities by household per capita consumption reveals a concentrated reliance on a select group of dietary staples. Among the 20 items tracked, 8 commodities surpass the 10 kg per year consumption threshold: rice, chicken, coconut, eggs, pork, durian, onion, and pineapple. Rice and chicken lead domestic consumption by a wide margin at over 50 kg per person annually, underscoring its role as the primary food source. Chicken is the affordable protein choice across Malaysian households, while rice consumption amounted to about 75.7kg per year. Coconuts (27 kg) and eggs (24 kg) follow as vital daily culinary and dietary staples. The remaining 13 commodities, including banana (9.5 kg), cabbage (7.8 kg), cow/buffalo meat (6.5 kg), garlic, tomato, and fish, represent secondary dietary inputs. Because household spending and consumption are heavily concentrated in the top 7 high-volume items, price volatility or supply disruptions in these high-consumption commodities could exert a significant influence on household food costs and food inflation.

Taking into account both SSR and IDR

Based on the top 20 commodities consumed, the inverse relationship between Malaysia's Self-Sufficiency Ratio (SSR) and Import Dependency Ratio (IDR) highlights a structural vulnerability in national food security. Highly self-sufficient items; such as chicken, eggs, watermelon, and shrimp, cluster near an SSR of 100% or higher with an IDR near 0%, indicating strong domestic production that fully satisfies internal demand. In stark contrast, critical staples located in the top-left quadrant, most notably onions, garlic, apples, and cow/buffalo meat, exhibit an SSR approaching 0% alongside an IDR nearing 100%. This extreme import reliance leaves Malaysia highly exposed to external supply-chain shocks, global trade restrictions, and exchange rate volatility, particularly for essential vegetables and red meats where domestic agroecological constraints impede local production. Cabbage (60%), rice (47.1%), and pork/mackerel (30%) occupy a middle tier, requiring partial import supplementation. The extreme concentration of high IDR among essential daily cooking inputs (i.e onions, garlic) means domestic food inflation remains heavily sensitive to imported cost-push pressures and ringgit movements.

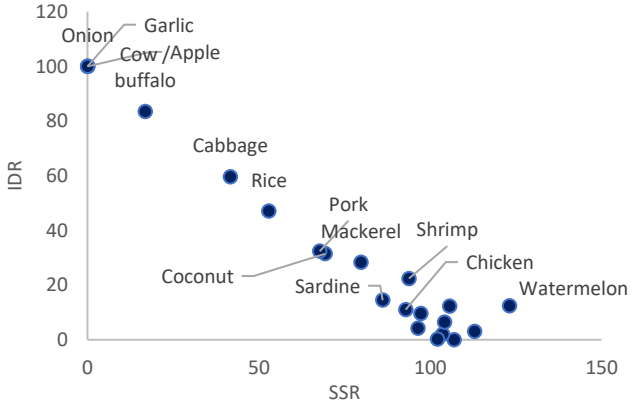
Charting consumption against SSR and IDR

Chart 1: Consumption Per Capita (KG/year)



Source: DOSM

Chart 2: Consumption against SSR and IDR



Source: DOSM

Malaysia food imports and Resilient Food Systems Index (RFSI)

Strong growth in food imports momentum

Between 2014 and 2025, total food and beverage imports followed a strong, upward trajectory, growing from roughly RM42b in 2014 to cross RM100b by 2025. While overall imports maintained steady growth prior to 2020, the period following 2020 saw accelerated expansion, driven by rapid gains in both primary agricultural goods and processed food items. Processed food consistently accounted for the dominant share of total food and beverage imports throughout the entire period, though primary food imports also expanded markedly after 2023, reaching around RM40b by 2025.

Widening of food trade deficit over time

With increased dependence on food imports, Malaysia's trade deficit for food and live animals also widened over the past decade to -RM32.1b in 2025 (2014: -RM17.0b). The breakdown points to larger trade deficits across several major food categories, particularly vegetables & fruit, meat, cereals, and dairy products & birds' eggs. Nevertheless, some categories recorded smaller deficits compared with 2014, including fish, crustaceans & molluscs, animal feed, and sugars & honey, while miscellaneous edible products registered a larger trade surplus. Overall, continued reliance on imported food reinforces the need to strengthen domestic production

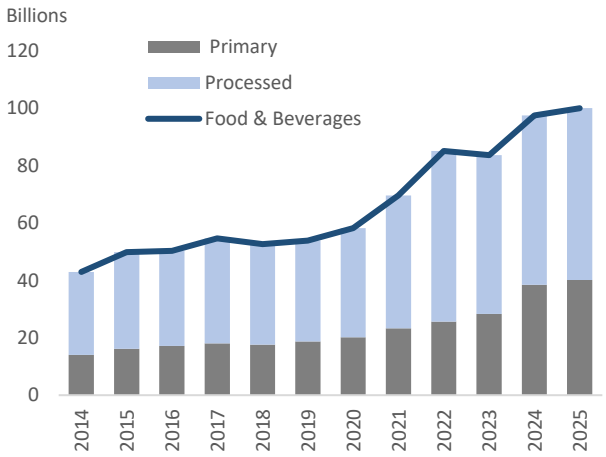
and diversify supply sources to reduce exposure to external supply disruptions and price shocks.

Malaysia performed relatively well globally

According to the Resilient Food Systems Index (RFSI), the RFSI provides a global benchmark of countries' capacity to produce and deliver sufficient, affordable and nutritious food amid an increasingly interconnected and acute risk landscape. It focuses on the structural and forward-looking factors that support long-term resilience, with the aim of providing a practical tool to inform policy, investment and action towards more stable and sustainable food systems. Malaysia placed 10th among 60 countries in the Resilient Food Security Index (RFSI) with an overall score of 72.98. Malaysia scored highest in Affordability (84.82), attributed to stable food costs, robust social safety nets, and widespread access to healthy diets for both the general population and the B40 group. However, its lowest score was in Availability (62.04), highlighting a need to strengthen long-term food-system resilience. Key priorities for improvement include bolstering local supply sufficiency, expanding farm productivity, and channeling greater public funding into agricultural research and development.

The steady upward trajectory in food imports

Chart 3: Food and Beverage imports performance (RM b)



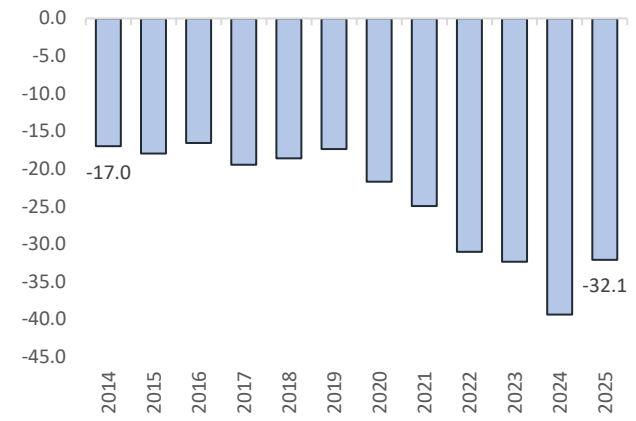
Source: DOSM

Table 1: Malaysia Resilient Food System Index (RFSI)

Country	Score	Rank
Portugal	76.83	1
France	76.75	2
United Kingdom	76.34	3
United States	75.3	4
Japan	74.39	5
Singapore	73	9
Malaysia	**72.98**	**10**
Malaysia RFSI Pillar	**Score**	**Rank**
Overall	72.98	10
Affordability	84.82	8
Availability	62.04	22
Quality and safety	79.52	12
Climate Risk Responsiveness	65.28	7

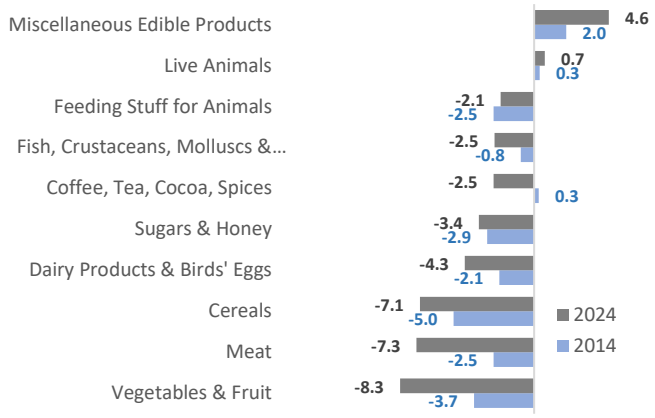
Source: The Economist

Chart 4: Balance of Trade: Foods & Live Animals (RM b)



Source: Macrobond, MBSBR

Chart 5: Trade Balance for Foods & Live Animals by Major Segments (RM b)



Source: The Economist

Analysing Self-Sufficiency Ratio…

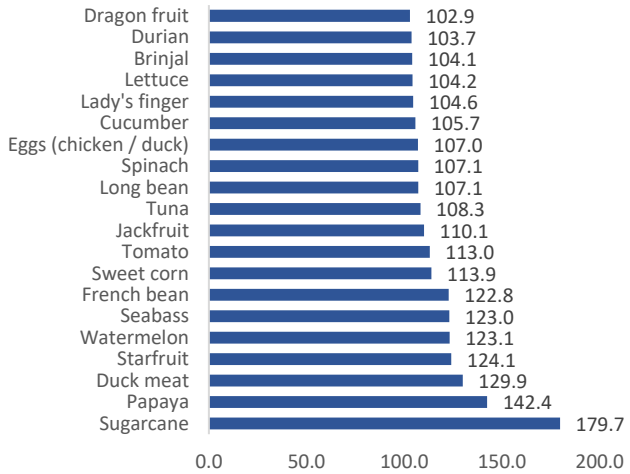
Domestic agricultural supply profile showed a structural divide in self-reliance across key commodities. At one end of the spectrum, commodities such as sugarcane (178%), papaya (142%), duck meat (130%), and various aquaculture and produce categories maintain an SSR well above 100%, establishing a comfortable buffer against external supply shocks. At the opposite end, structural supply bottlenecks persist among primary dietary staples: shallots yield zero commercial domestic output (0%), while mutton (8%), ginger (15%), beef (17%), and chilli (36%) exhibit profound import dependency. Mid-tier items like fresh milk, coconut (65% -70%) and rice (52.9%) offer partial insulation but remain vulnerable to import disruptions, underscoring the necessity of targeted agricultural intervention in deficit-heavy crops. This heavy reliance on imports for core culinary inputs and livestock leaves national food security and headline inflation exposed to external supply disruptions and price shocks.

Structural divide across key commodities

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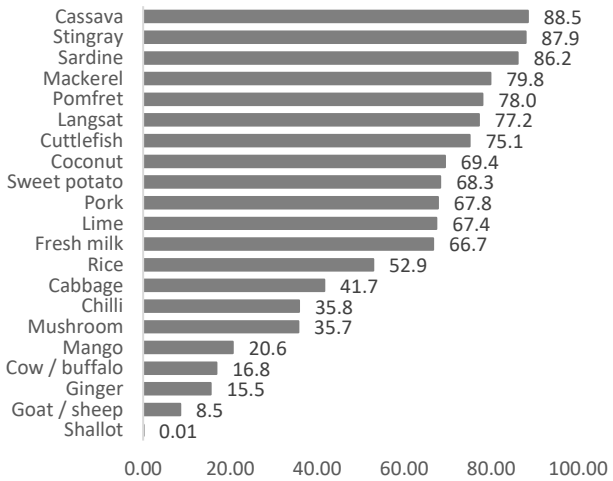
Malaysia robust self-reliance in local poultry, tropical fruits and vegetables, but is still exposed to global supply shocks

Chart 6: Highest Self-Sufficiency Ratio (2024)



Source: DOSM

Chart 7: Lowest Self-Sufficiency Ratio (2024)



Source: DOSM

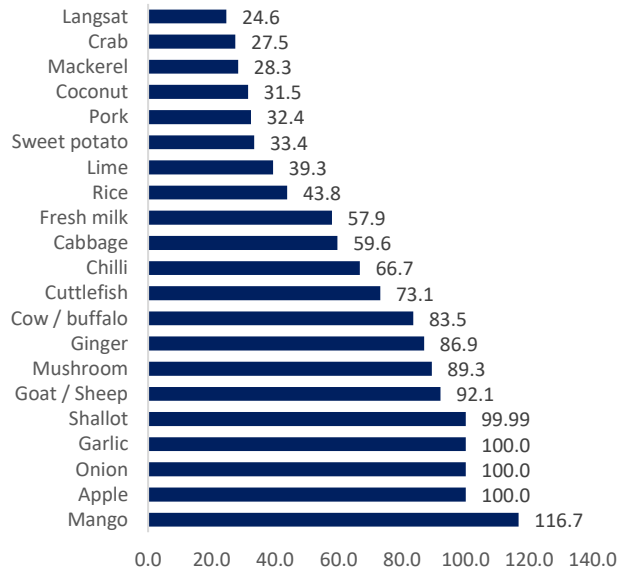
…and Import Dependency Ratio

Several key essentials are foreign dependent

The IDR reveals a contrast between commodities heavily reliant on foreign supply and those with near-total domestic production independence. Looking at the top 20 items with the highest IDR, critical kitchen essentials and meats exhibit severe foreign dependency, led by mango (exceeding 110%) alongside apple, onion, garlic, and shallot, all of which record a maximum IDR of 100%. High dependency persists across goat/sheep meat (92%), mushroom (89%), ginger (87%), cow/buffalo meat (84%), cuttlefish (73%), chili (67%), cabbage (60%), and fresh milk (58%), and below the 50% threshold with rice (43.8%), and with items like lime, sweet potato, pork, coconut, and mackerel maintaining moderate import dependence between 25% and 40%. In sharp contrast, the lowest IDR chart highlights items that operate virtually independent of imports, where starfruit and chicken/duck eggs sit at 0.0% IDR, followed by minimal import reliance for duck meat (0.05%). While Malaysia maintains near-complete import independence for local fruits, poultry eggs, and major aquaculture species, the country remains highly vulnerable to foreign supply disruptions and imported inflation due to total or near-total import reliance on essential aromatics, red meats, and staple vegetables.

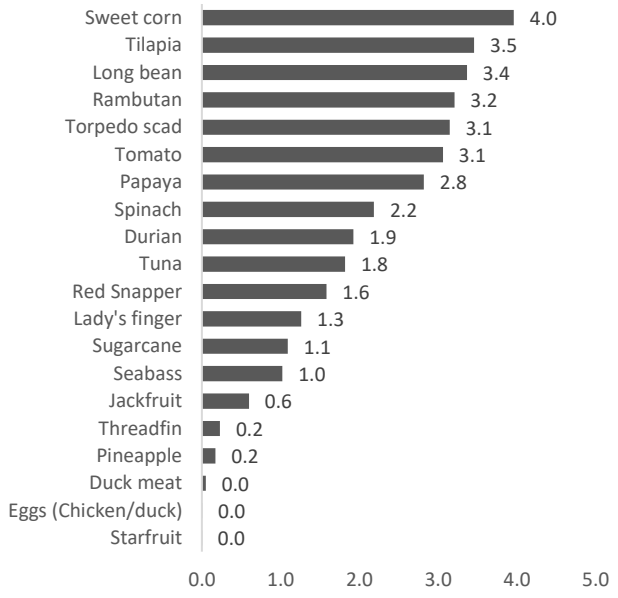
Malaysia maintains near-complete import independence for local fruits, poultry eggs, and major aquaculture species

Chart 8: Highest Import Dependency Ratio (2024)



Source: DOSM

Chart 9: Lowest Import Dependency Ratio (2024)



Source: DOSM

National Measure: Malaysia Food Security Index

MFSI, national measure for food security across 4 key dimensions

In July 2026, DOSM introduced and published a preliminary report on Malaysia's Food Security Index (MFSI). The index was developed as a holistic measure of food security in Malaysia, extending beyond domestic food production and self-sufficiency. The MFSI is constructed in line with internationally recognised food-security frameworks adopted by the Food and

Agriculture Organization (FAO) and the Global Food Security Index. It comprises 25 indicators grouped into four dimensions:

i. ***Availability***: Assesses whether sufficient food is physically available, covering indicators such as domestic agricultural production, food imports and exports, energy supply and post-harvest losses.

ii. ***Accessibility***: Measures households' ability to obtain food, taking into account food prices, wages, household food expenditure and physical connectivity.

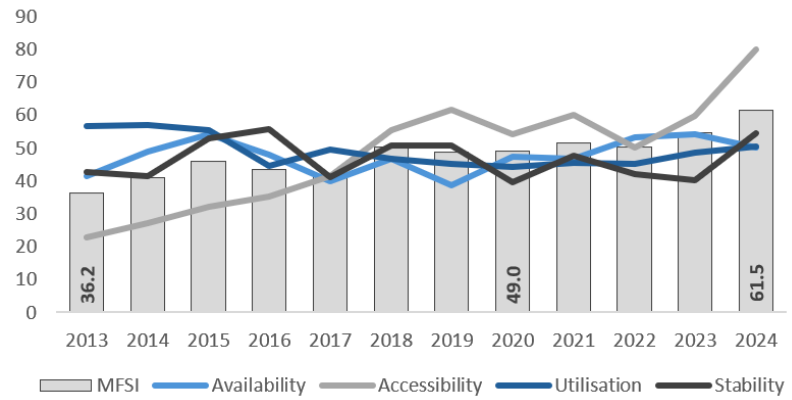
iii. ***Utilisation***: Evaluates whether available food translates into adequate nutrition and well-being, including access to water and electricity, life expectancy and child nutritional outcomes.

iv. ***Stability***: Assesses the resilience and consistency of food security over time, including consumption patterns and climatic factors such as minimum and maximum temperatures.

Malaysia's food security has strengthened, although supply resilience remains a structural challenge

The latest MFSI indicates a material improvement in Malaysia's food security, particularly from stronger affordability and household access to food. However, the softer availability reading highlights continued structural vulnerabilities, including reliance on external food supplies, post-harvest inefficiencies and exposure to global supply disruptions. Going forward, strengthening domestic food production and supply-chain resilience will remain important, particularly amid risks from climate change, geopolitical disruptions and volatility in global food and energy prices.

Chart 10: Malaysia Food Security Index (MFSI)



Source: DOSM, MBSBR

Table 2: Malaysia Food Security Index

	2013	2020	2024
Malaysia Food Security Index (MFSI)	**36.2**	**49.0**	**61.5**
Availability	41.5	47.4	50.0
Accessibility	22.8	54.2	79.9
Utilisation	56.7	44.2	50.4
Stability	42.7	39.7	54.6

Source: DOSM, MBSBR

Overall index climbed to 61.5, reflecting improved accessibility and stability

Malaysia's food security improved in 2024 as the index rose markedly to 61.5 (2023: 54.5). The improvement was broad-based across 3 of the 4 dimensions, with *Accessibility* rising to 79.9 (2023: 59.6), *Stability* to 54.6 (2023: 40.2) and *Utilisation* to 50.4 (2023: 48.5). In contrast, the *Availability Index* moderated to 50.0 (2023: 54.3).

Improvement mainly in food accessibility

The strongest improvement came from food accessibility. The latest reading at 79.9 is substantially higher than 22.8 recorded in 2013. The improvement was mainly attributable to the food inflation indicator, which rose sharply to 84.1 (2023: 30.3), together with stronger median wages and salaries and improved road accessibility. This suggests that the easing in food-price pressures alongside improved household incomes significantly strengthened consumers' economic access to food during the year.

With food inflation accelerating in recent months (Aug-26: +1.9%yoy; Jul-26: +1.8%yoy; Feb-26: +1.1%yoy), we believe the improvement in food accessibility may have moderated somewhat. Nevertheless, average food inflation of +1.5%yoy in 8MCY26 indicates that overall price pressures remain well contained (8MCY26: +2.2%yoy; 2025: +2.1%).

Rebound in food stability, as well as improvement in food utilisation

The Stability Index rebounded strongly to 54.6 (2023: 40.2), mainly reflecting a significant improvement in per-capita consumption. The Utilisation Index also rose modestly to 50.4 (2023: 48.5), following improvements across most of its underlying indicators, such as life expectancy and access to water sources. Nevertheless, both indices remain around the mid-point of the scale, suggesting that further improvements in nutritional outcomes and resilience of the food system remain important.

Deterioration in food availability warrants greater attention

In contrast, the Availability Index eased to 50.0 (2023: 54.3), the only dimension which registered a deterioration in 2024. Weaker readings were recorded in indicators relating to imports and exports of major food agricultural products, post-harvest losses and available energy supply per capita. Notably, the indicator for domestic production of major agricultural food products improved to 54.3 (2023: 44.3), suggesting that the weaker availability score reflected broader supply-chain and resource considerations rather than weakness in domestic production.

Food Security in the Annual Budgets

Boosting local production to strengthen Malaysia's food resilience

As indicated in the Pre-Budget Statement, we expect food security to remain among the Government's key focus areas in Budget 2027, in line with the broader agenda outlined under the National Food Security Policy 2030 (DKMN2030). This reflects continued efforts to strengthen Malaysia's long-term food resilience while improving the livelihood and well-being of the rakyat. Policy measures are expected to continue focusing not only on raising domestic food production and strengthening supply chains, but also on boosting household incomes, supporting farmers and agro-food producers, and improving the affordability and accessibility of essential food items.

Support local producers and strengthen food supply chain and infrastructure

Measures to strengthen domestic food production may include subsidies and financial support for farmers, breeders and fishermen, alongside greater adoption of mechanisation, automation and agricultural technology to raise productivity and incomes. More emphasis could be placed on climate-resilient agriculture, including improved irrigation, resilient crop varieties and flood-mitigation measures, while efforts to raise self-sufficiency and diversify supply sources would reduce exposure to import disruptions and global price volatility.

Other measures could focus on strengthening the domestic food supply chain through better warehousing, cold-chain facilities and storage infrastructure. This would help reduce post-harvest losses, extend shelf life and support more stable food distribution nationwide.

Managing Food Inflation to Improve Livelihoods of the Rakyat

Food inflation may go higher in the near term due to external and supply factors

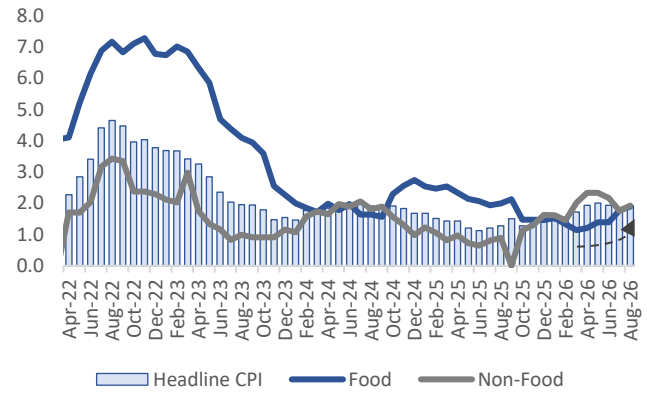
Although inflation remains generally well contained, strengthening food security remains vital to enhance the resilience of the domestic food sector against uncertain external developments. In particular, food represents nearly one-third of Malaysians' consumption basket and therefore plays an important role in shaping overall inflation and household cost-of-living pressures. The impact is particularly significant for lower-income households, which typically allocate a larger share of their expenditure to food and other necessities.

Looking ahead, food inflation could face renewed upward pressure from higher agricultural input costs, particularly fertiliser prices, while adverse weather conditions could constrain domestic production and disrupt supply. These pressures could translate into higher retail food prices, especially for fresh produce and other essential food items where supply is more sensitive to weather and production conditions.

Close relationship between food accessibility and consumer sentiment

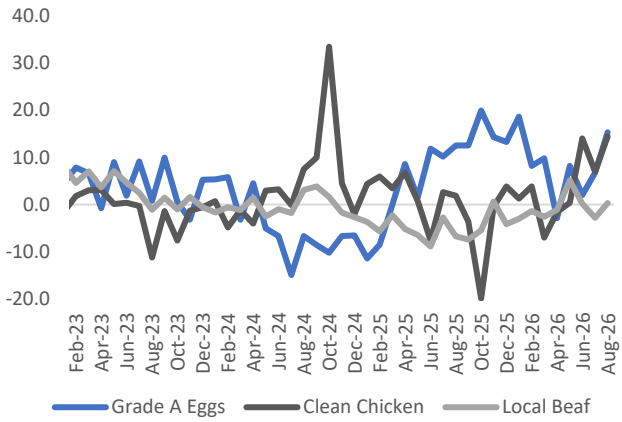
More broadly, households' perception of inflation and consumer sentiment tend to be particularly sensitive to price movements in frequently purchased necessities, notably food, transport and energy, and utilities. Sharp increases in these components can therefore have a disproportionate impact on perceived cost-of-living pressures, even when overall headline inflation remains relatively contained. Sustained increases in food, fuel and utility costs could further compress disposable income and discretionary spending. This underscores the importance of policies that strengthen food supply, improve affordability and cushion households from excessive volatility in essential living costs.

Chart 11: Inflation: Food vs. Non-Food Inflation



Source: DOSM

Chart 12: Inflation Rates for Eggs, Chicken and Beef (YoY%)



Source: DOSM

Several structural factors and risks could affect Malaysia's food security over the longer term:

Climate risks, import dependence and structural supply constraints remain key long-term challenges to food security

- **Climate change and extreme weather**: Floods, droughts, heatwaves and changing rainfall patterns could disrupt crop yields, livestock production and fisheries.
- **Dependence on food imports**: High reliance on imported staples and inputs leaves domestic supply vulnerable to export restrictions, geopolitical tensions and disruptions to global trade routes.
- **Rising input costs**: Higher prices for fertiliser, animal feed, fuel, electricity and logistics could raise production costs and eventually food prices.
- **Low productivity and technology adoption**: Slow mechanisation, automation and adoption of modern farming techniques could constrain output growth and competitiveness.
- **Land and labour constraints**: Competition for agricultural land, an ageing farming population and shortages of agricultural workers may limit domestic production capacity.
- **Weak supply-chain infrastructure**: Inadequate cold-chain, storage, warehousing and transport facilities could increase post-harvest losses and reduce supply efficiency.
- **Water security**: Greater pressure on irrigation and water availability could become a key constraint, particularly during prolonged dry periods.
- **Global commodity and exchange-rate volatility**: Swings in international food prices and a weaker ringgit could increase the cost of imported food and agricultural inputs.
- **Biosecurity risks**: Animal diseases, crop pests and plant diseases could cause sudden supply disruptions and require costly containment measures.
- **Changing consumption patterns and population growth**: Rising demand for higher-value proteins and processed foods may widen the gap between domestic production and consumption if supply does not keep pace.

FOOD INDUSTRY SUB-SEGMENT

Palm Oil (PO)

Higher energy prices may also improve biodiesel economics, tightening supply of vege oils

Renewed US-Iran tensions have pushed Brent back above USD100pb, from the USD70-80pb range previously, bringing the energy-food linkage back into focus. The move is increasingly comparable to the early Russia-Ukraine conflict in CY22, when Brent averaged around USD100pb and briefly spiked above USD120pb. Should the conflict prolong, higher energy prices would not only lift transportation and fertiliser costs, but also improve biodiesel economics, indirectly tightening the availability of vegetable oils for food consumption.

For PO, the impact is relatively straightforward. Higher Brent strengthens the economics of biodiesel blending, particularly with Indonesia's B50 and Malaysia's B15 mandates, supporting domestic PO consumption. CPO averaged RM4,549/tonne in August, versus RM4,293/tonne in CY25, while spot prices have since strengthened further in September. With energy prices likely to remain elevated, we expect the POGO discount to narrow further, allowing CPO to

track the broader energy complex despite Malaysia entering its seasonally stronger production period.

PO remains considerably cheaper vs. competing vegetables oils

Interestingly, PO remains considerably cheaper than competing vegetable oils. In August, PO traded around USD1,117/tonne, against SBO at USD1,638/tonne and SFO at USD1,492/tonne, implying discounts of USD521/tonne and USD375/tonne, respectively. SBO was therefore about +46.6% more expensive than PO, while SFO carried a +33.6% premium. Such a widespread should eventually favour PO demand, particularly among price-sensitive importers, although the recent weak export numbers suggest meaningful substitution has yet to kick in.

Global vegetable-oil prices have moved higher

The concern is that the price pressure is no longer confined to PO. Global vegetable-oil prices have moved higher, with the FAO Vegetable Oil Price Index recently returning to its highest level since CY22. This resembles the Russia-Ukraine period, when disruption to Black Sea SFO exports, coupled with elevated energy and fertiliser prices, pushed the entire edible-oil complex higher. This time around, supply remains relatively comfortable, but higher Brent could increasingly pull vegetable oils into biodiesel, tightening the food-versus-fuel balance if the conflict persists.

One-and-a-half-month lag for transmission

For Malaysia, the transmission to consumers should come with circa one-and-a-half-month lag, particularly for non-subsidised bottled cooking oil, reflecting 80% feedstock procurement cost, and 20% blended of wage, utilities, refining, packaging and distribution costs. Hence, sustained CPO price at around RM4,500-4,800/tonne in August-September could start feeding into retail prices from September-October onwards. Nonetheless, subsidised cooking oil should remain relatively insulated, but higher CPO, diesel, freight and packaging costs could still raise the broader cost base for food manufacturers, restaurants and other commercial users.

Malaysia produces more than domestic consumption need

On positive note, Malaysia remains well covered in vege-oils. The country produces more than 19.0m tonnes of PO annually - since CY24, against domestic consumption of only circa 3.3m tonnes, leaving a sizeable exportable surplus. Palm-based cooking oil also remains the main local preference, accounting for above 90% of household usage, well ahead rival cooking oils. Hence, Malaysia's immediate risk is unlikely to be physical availability of cooking oil, but rather how much higher commodity prices eventually pass through to consumers.

Rice

Rice remains Malaysia's weaker food-security link

Unlike vegetable oil, rice remains Malaysia's weaker food security link. Malaysia's rice SSR stood at only 52.9% in CY24, down from 56.2% in CY23 and 62.1% in CY20 – based on DOSM data, well below the government's longer-term aspiration of around 80%. Domestic paddy production is estimated at only around 2.1m tonnes, which remains insufficient to meet annual rice consumption. Hence, unlike PO where Malaysia is structurally long, almost half of domestic rice requirements still depend directly or indirectly on imported supply.

Production does not meet targeted SSR – but source is relatively diversified

The shortfall is meaningful. Malaysia consumes roughly 2.6-2.7m tonnes of rice annually (based on DOSM: 75.7kg/person/year), while domestic milled-rice production remains materially below requirements. Current production therefore does not meet the targeted SSR, leaving Malaysia reliant on around 1.5-1.6m tonnes of imports annually. Local consumers remain heavily skewed towards white rice for mass-market consumption, while fragrant rice, jasmine and basmati cater to higher-value segments. Hence, affordability of imported white rice remains more important to national food security than movements in premium varieties. Fortunately, Malaysia's rice sourcing is relatively diversified. In CY24, according to World Integrated Trade Solution (WITS) Malaysia imports totalled circa 1.70m tonnes worth USD1.10bn, led by Vietnam at 688K tonnes, Pakistan at 382K tonnes, India at 326K tonnes and Thailand at 218K tonnes. Combined, these 4 markets accounted for around 95% of imports. Vietnam remains particularly important for affordable white rice, while Thailand supplies both white and premium fragrant varieties. Pakistan and India provide another layer of supply, including white and basmati rice.

Regional rice markets remain relatively comfortable for now

Pricewise, regional rice markets remain relatively comfortable for now. Thai 5% broken white rice continues to command a sizeable premium, recently quoted at around USD480-485/tonne, against Vietnam at USD425-445/tonne, Pakistan at USD410-425/tonne and India at USD370-380/tonne. The wide range gives Malaysia some flexibility to switch origins depending on price and availability. Premium rice remains considerably more expensive, with Thai Hom Mali, Indian basmati and Pakistani basmati generally trading at around USD1,100/tonne or above, more than double mass-market white-rice prices. This is also where the current environment differs from Russia-Ukraine in CY22. Back then, the shock was broader, hitting energy, grains, vegetable oils and fertiliser almost simultaneously. For now, global rice supply remains relatively comfortable, and prices are nowhere near being the main source of food inflation. However, a prolonged US-Iran conflict could gradually change the cost structure through higher diesel, fertiliser, freight and insurance, raising both domestic paddy production costs and Malaysia's landed cost of imported rice.

First impact should be higher food costs rather than food shortages

Overall, we see Malaysia's food security position as comfortable on vege-oils, but structurally weaker on rice. Malaysia produces nearly 20m tonnes of PO against only 3.3-4.4m tonnes of domestic use recent past 2 years, providing a substantial supply buffer. Rice is the opposite, with SSR at only 52.9% and around 1.5-1.6m tonnes of annual imports still required. Hence, should Brent remain above USD100pb, the first impact should be higher food costs rather than food shortages, with cooking oil seeing a faster transmission than rice.

Poultry And Egg Producers

Imported maize and soybean meal

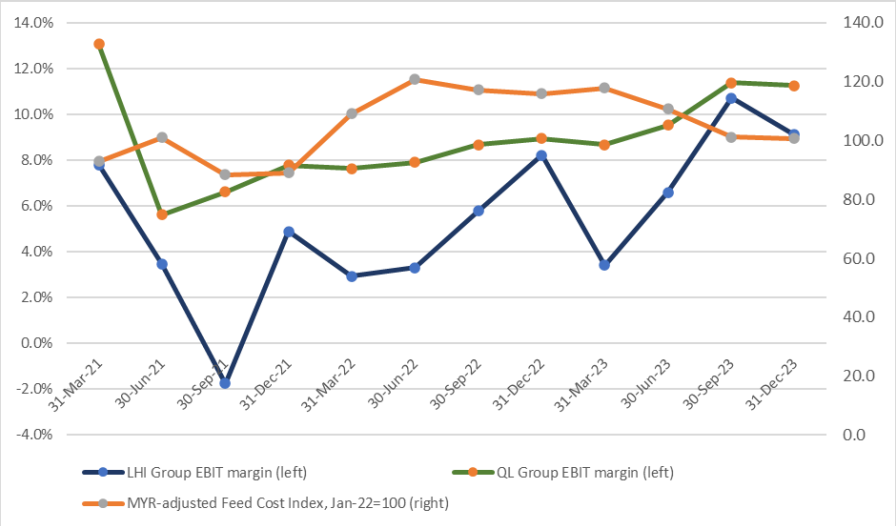
Malaysia's poultry industry is strong in final output but far less self-sufficient upstream. Chicken self-sufficiency is around 93% and egg production is in surplus at roughly 107%, yet the production chain relies almost entirely on imported feed. Maize self-sufficiency is just 0.2%, implying import dependency of 99.8%, while soybean and soybean meal are effectively 100% import-dependent, sourced mainly from Brazil, Argentina and the US. That is the vulnerability beneath apparently strong poultry self-sufficiency. Domestic farms produce the chicken and eggs, but the feed sustaining that production comes from overseas. The system is exposed to South American and US weather, export policy, freight disruption and global grain

availability even when domestic poultry capacity is unchanged. Policy ambition compounds the point: NAP 2.0 targets 140% poultry self-sufficiency by 2030, which would raise imported feed requirements. For **Leong Hup International (BUY, TP RM1.03),** the dependence is visible. Raw materials account for 83-85% of feedmill production costs, with about 90% of feed ingredients sourced internationally. Corn represents roughly 50% of feed ingredients by cost and soybean meal another 20%, together about 70% of poultry feed costs.

Margin compression

The vulnerability becomes more apparent when imported feed costs rise faster than selling prices. The 2021-22 grain shock is the clearest example: CBOT corn reached USD8.18/bushel in Apr-22, its highest since 2012, while soybean meal peaked at USD521.9/short ton in Mar-22 and wheat at USD14.25/bushel in Mar-22. For poultry producers the issue was higher input costs and the inability to reduce feed consumption without affecting biological performance. Feed must be purchased throughout the production cycle while hatcheries, farms and processing operations continue to incur labour, utilities and logistics costs. LHI's experience illustrates the squeeze, though pressure was concentrated in specific quarters rather than across the full year. Group EBIT margin averaged 3.5% in FY21 and 5.1% in FY22, both well below the 7.6% recorded in FY23 as feed costs normalised, even as revenue rose 26% to RM9.04b. The trough came in 1QFY22 at 2.9%, when higher feed, depreciation and finance costs outpaced volume and ASP gains. Margins then recovered through the balance of FY22 even as our MYR-adjusted feed index held within 5% of its 2QFY22 peak, indicating that pricing, mix and policy support eventually caught up with costs rather than that cost pressure had abated. **QL Resources (NEUTRAL, TP RM4.11)** faced the same upstream pressure through its Integrated Livestock Farming division, citing higher corn, soybean and wheat costs alongside logistics and energy inflation. The contrast in outcomes is instructive: QL's group EBIT margin held within a 7.7%-9.0% band through calendar 2022 against LHI's 2.9%-8.2%, and across the twelve quarters to Dec-23 QL's margin was roughly half as volatile. Diversification across ILF, Marine Products Manufacturing, Convenience Store and Palm Oil & Clean Energy gives the group measurably more insulation than a poultry-concentrated model.

Chart 13: Margin Compression in the Grain Shock: LHI vs QL Group EBIT Margin against MYR-Adjusted Feed Cost (Jan-22=100), Mar-21 to Dec-23

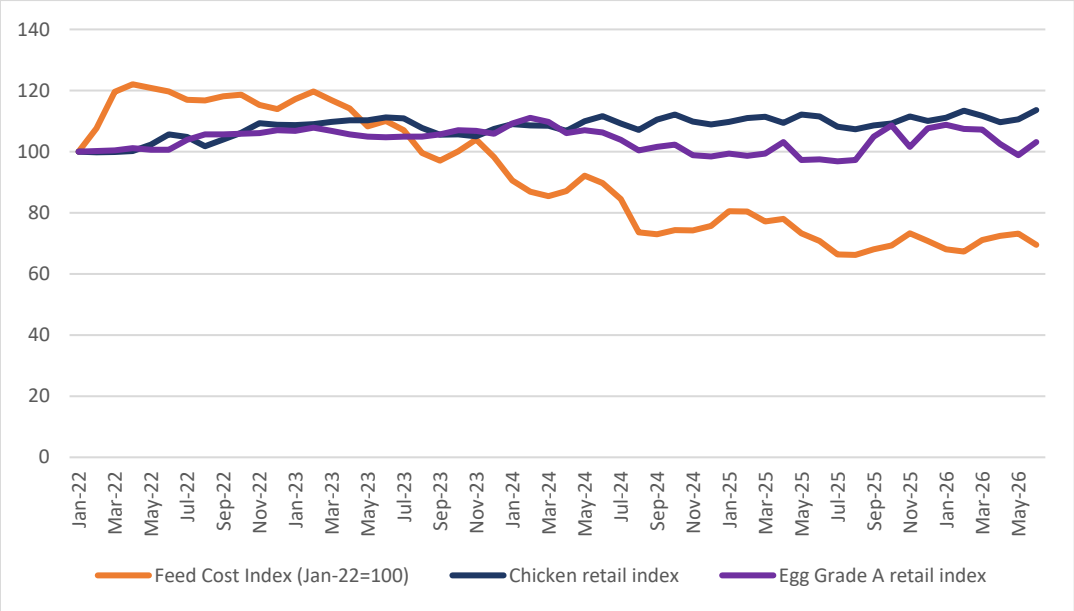


Source: Companies, MBSBR

Price-control complications

Poultry is more exposed to government intervention than most consumer categories given its status as a staple protein. As food inflation accelerates, affordability takes precedence over normal cost pass-through. The Malaysian policy response through 2022-23 combined retail price ceilings with producer subsidies, disconnecting domestic selling prices from globally determined input costs. Combining CBOT grain prices with DOSM average retail price data, our MYR-adjusted feed index peaked in Apr-22 at +22% above its Jan-22 level while retail chicken prices rose just +0.2% and retail eggs +1.1%. Across the full control period the feed index averaged +13% above base against a +6% rise in retail chicken. The intervention lowered the immediate consumer burden but transferred it to producers and the fiscal account, the core food-security trade-off. Ceilings stabilise affordability short-term, but if producer compensation is incomplete, it erodes production incentives and discourage capacity expansion. Egg policy provides a more recent example. The subsidy was cut from 10 sen to 5 sen per egg from May-25 and removed entirely from Aug-25. Average retail egg prices fell during the reduction phase, from RM4.57 per 10 eggs in Apr-25 to RM4.29 by Jul-25, then rose to RM4.77 by Dec-25, once prices were fully liberalised, removing the ceiling lifted retail prices.

Chart 14: Policy Timeline: Feed Cost, Chicken and Egg Retail Prices — Control (to Oct-23), Liberalisation, Egg Subsidy Cut (May-25), Removal (Aug-25)



Source: DOSM, Various

Supply adjustment risks

The longer-term risk is that weak industry economics persist long enough to alter production decisions. Poultry supply cannot be scaled quickly: breeding stock, hatchery capacity, feed supply, farm contracts and processing infrastructure must be in place well before output reaches consumers. Smaller farmers are more exposed, with less purchasing power and less capacity to hold inventory or absorb temporary losses. Where feed remains expensive while selling prices are constrained, the rational response is to reduce placements, defer expansion or exit, tightening supply even where national installed capacity appears adequate. Integrated operators are better placed. LHI uses forward purchasing and forward FX contracts to partially hedge USD exposure, while its feed-to-poultry chain gives greater procurement control. The buffer is partial, LHI's feedmill margins have been comparatively stable at 14-17% over the

past two years, while Livestock & Poultry margins ranged 8.6%-19.2%, with the volatility siting downstream. QL's diversification offers a different buffer. Neither model removes the national dependency, and the contrast is stark: Malaysia is 91% self-sufficient in chicken and 107% in eggs, yet 99.8% import-dependent in corn and 100% in soybean meal. High final-output self-sufficiency rests entirely on imported inputs. Poultry security must therefore be assessed across the whole chain, imported feed availability, producer economics, policy intervention and farmer incentives.

Livestock And Dairy

Heavy import reliance in meat and dairy

Malaysia's dependence on external supply is more pronounced in livestock than in poultry. Beef self-sufficiency is 16.8%, implying import dependency of 83.5%, while mutton self-sufficiency is just 8.5%, leaving 92.1% import-dependent. Beef comes mainly from India, Australia and New Zealand; mutton from Australia, New Zealand and India. Dairy faces a similar challenge. Domestic fresh-milk production is insufficient, and milk powder is close to 100% imported, primarily from Australia, New Zealand and Europe. Malaysia targets 100% fresh-milk self-sufficiency by 2030 and a rise in beef self-sufficiency to 50% from a 2019 baseline of 22.3%, the most demanding gap in the national plan, requiring output to more than double. The vulnerability extends beyond finished meat and milk. Domestic expansion also requires imported breeding animals and feed, making the livestock chain dependent not only on imported consumption products but on the biological inputs needed to expand future domestic production. Raising livestock self-sufficiency is far more capital and time-intensive than substituting one packaged food for another: it requires land, feed, breeding stock, herd development, veterinary capacity, processing infrastructure and reliable distribution. The production cycle itself limits how quickly Malaysia can respond to an external shock.

Scale and cost remain barriers to localisation

Fraser & Neave Holdings (NEUTRAL, TP RM25.71) is the clearest listed example of a company attempting to reduce this structural dependence. Dairy raw materials account for a large part of F&N's COGS, making milk-related inputs one of its largest externally priced exposure, historically managed through multiple suppliers, forward purchases and active commodity monitoring. The 2021-22 dairy shock demonstrated the relevance. Global dairy supply tightened while freight and energy costs rose and a stronger USD raised imported input costs. F&N's FY2022 gross margin fell to 26.3% from 28.9%, even as revenue increased 8.2% to RM4.47b. Management responded with selective pricing, trade-discount adjustments and procurement measures before margins recovered as input costs normalised.

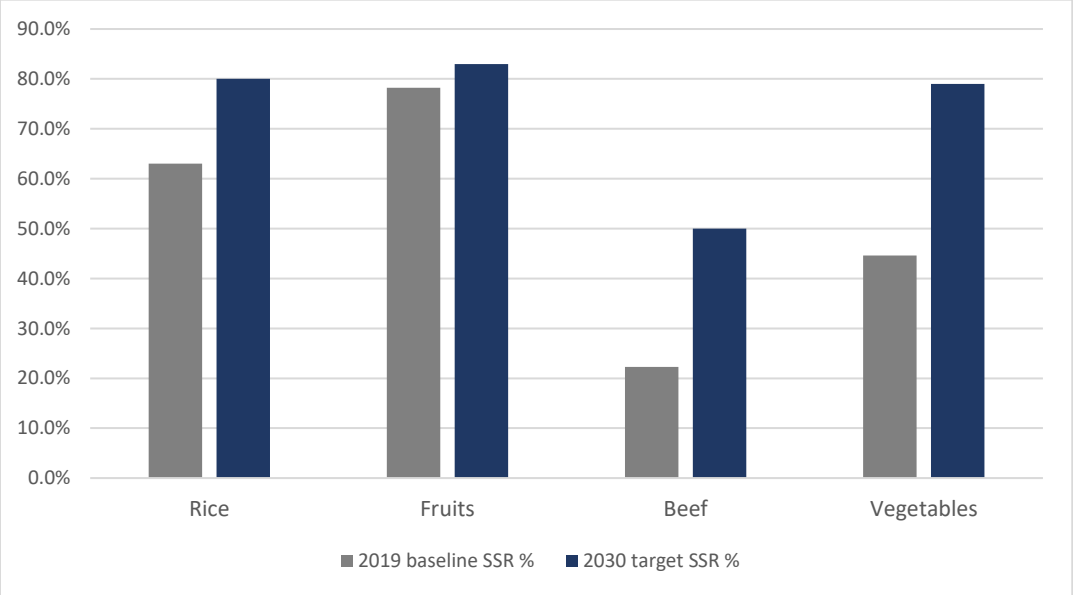
The strategic response has shifted from managing import exposure toward replacing part of it. F&N has invested in its integrated AgriValley dairy farm in Gemas, Negeri Sembilan, targeting roughly 200m litres per year and already producing approximately 2m litres per month by 2026. The project is also moving upstream: F&N has planted corn across around 400 hectares in Gemas and plans to double the area to secure more consistent feed supply. As with poultry, localising the cow does not localise the supply chain if feed remains imported.

Localisation carries trade-offs

Large-scale dairy farming requires substantial upfront capital, land and working capital before reaching efficient scale. Improving national resilience can require businesses to invest well ahead of the point at which the economics become attractive. Recent quarters show that trade-off crystallising. Group gross margin has held in a 30-33% band, instead the pressure sits

below the gross line with group EBIT margin falling from 17.5% in 1QFY25 to 11.6% in 3QFY26. F&B Thailand EBIT margin has been stable at around 20%, while F&B Malaysia has more than halved, from 12.6% to 5.7% over the same period, consistent with start-up operating and depreciation costs being absorbed ahead of meaningful farm output.

Chart 15: Malaysia Self-Sufficiency: 2019 Baseline vs NAP 2.0 2030 Target



Source: DOSM

Refrigerated logistics as part of food security

Livestock and dairy differ from dry commodities because much of the chain is time and temperature-sensitive. Imported frozen beef and mutton require an uninterrupted cold chain from exporter through ports, storage, transport and retail. Fresh milk is more sensitive still. This creates a second dependency beyond the product. The same applies to breeding stock in a tropical climate. Imported temperate breeds such as Holstein-Friesian operate within a narrow thermoneutral range, requiring specialised transport often restricted to night-time transit. The consequences of disruption extend beyond the shipment: heat stress causes immunosuppression and reproductive delays, directly affecting future domestic milk and beef capacity. For dairy producers, localisation shortens part of this chain, AgriValley reduces the distance between milk production and processing, but increases the importance of domestic feed, farm infrastructure, refrigerated transport and distribution. Beef and mutton remain overwhelmingly imported, while dairy localisation demands capital and agricultural scale. A resilient system still requires diversified import sources, sufficient storage, reliable cold chain and commercially sustainable local production.

Food Manufacturers

Import dependence extends beyond the finished product

For food manufacturers, the exposure is whether ingredients, packaging and logistics remain available at acceptable cost. Most large Malaysian food manufacturers operate domestic plants, but their production chains depend on imported wheat, dairy ingredients, cocoa,

coffee and sugar. Wheat and milk powder are effectively 100% imported, refined sugar is highly dependent on imported raw material, and coffee and cocoa are tied entirely to overseas production. Manufacturers typically use several imported inputs simultaneously, so a single shock can affect multiple parts of the cost base at once. The 2021-22 period combined higher wheat, edible-oil, dairy, freight and energy costs, 2024-25 brought another sharp rise in cocoa and coffee. The vulnerability is broader than for industries tied to one commodity.

Scale helps secure supply

Nestlé Malaysia (BUY, TP RM116.10) shows how procurement scale reduces the operational consequences of import dependence without removing the dependence itself. The group sources cocoa, coffee, dairy, wheat and sugar through a global procurement network, using forward purchasing, multiple suppliers and buffer stocks for critical materials. During pandemic-era shipping disruption, it drew on those relationships and inventory buffers to manage longer lead times and elevated freight. The food-security implication is that large manufacturers can delay and smooth an external shock but cannot permanently absorb it. If imported input inflation persists, adjustment must eventually come through procurement savings, reformulation, mix, reduced promotional support, higher prices or lower margins.

Smaller manufacturers have fewer shock absorbers

The contrast is clear at **Hup Seng Industries (BUY, TP RM1.09).** Biscuits are manufactured locally, but the economics remain tied to imported wheat and other externally priced ingredients. Wheat flour, palm oil and sugar together account for roughly 80% of COGS, a narrower input basket than a diversified multinational. The 2021-22 shock exposed this. Palm-oil prices rose around 53% on average in 2021 while wheat surged after Russia's invasion of Ukraine. Hup Seng initially absorbed the cost before implementing price increases in stages from mid-December 2021, a lag of several months. Gross margin fell to 24.6% in 2022 from 27.6% in 2021, before recovering above 30% as input costs normalised. Passing increases to consumers is also commercially harder for mass-market staples where competitors may respond differently or households switch brands.

Packaging as another imported dependency

Food security also depends on inputs that are not food. Manufacturers cannot sell products without bottles, cans, films or cartons, regardless of whether the contents are available. This was demonstrated in Apr-26, when **Farm Fresh Bhd (Non-rated)** faced widespread retail stockouts. Escalating conflict in the Middle East and shipping disruption around the Strait of Hormuz throttled petrochemical flows, doubling HDPE and PET resin prices. Farm Fresh relied on imported resin for its core 1-litre and 2-litre bottles and was abruptly bottlenecked; it partially pivoted to paper gable-top cartons. The episode showed how a regional conflict can sever the packaging supply line of an essential domestic staple. For bottled-water producers **Spritzer (NEUTRAL, TP RM2.92)** and **Life Water (NEUTRAL, TP RM1.63),** PET resin is similarly critical and linked to global petrochemical and energy markets. During the 2021-22 crude and resin shock Spritzer reported higher raw-material and packaging costs, with FY2021 PBT down 14% to RM30.3m; the group responded through volume growth and operational measures rather than immediate pricing. Volatility returned in 2026, with PET resin reported at around USD1,166/mt in March, up 37.5%yoy.

Pricing power determines who bears the shock

Unlike poultry, where selling prices have been directly constrained, manufacturers generally have greater pricing freedom, but it is not unlimited. Staple and mass-market products remain

sensitive to household affordability when inflation is broad-based. Nestlé has historically avoided passing through the full input increase immediately, balancing profitability against volume, share and affordability. Hup Seng delayed pricing during the 2021 surge before raising in stages. F&N has favoured selective, gradual adjustments, using pricing as a last resort alongside procurement and mix. The key question for manufacturers is therefore how long a company can bridge the gap between an input shock and the eventual consumer-price response. Stronger procurement networks, larger inventories and greater pricing power stretch that adjustment over several quarters; smaller manufacturers must respond faster or accept a deeper temporary squeeze.

Restaurants And Food-Service Operators

Imported ingredients meet limited pricing power

Food-service operators face a different risk from producers or manufacturers. Exposure is spread across coffee, dairy, wheat, sugar, cooking oils, eggs and proteins, while the ability to pass on cost is tied to traffic and affordability. **Oriental Kopi (BUY, TP RM1.34)** illustrates this. Its café and packaged-food operations are exposed to globally priced coffee and imported wheat-based inputs, with dairy and sugar adding further exposure. Restaurants retain pricing freedom, but demand elasticity limits how aggressively they use it. Oriental Kopi has implemented selective menu increases on certain items, balancing cost recovery against traffic and value perception.

Menu engineering and procurement scale

Restaurants have more flexibility than agricultural producers. Operators can reprice selectively, adjust promotional intensity, change mix or steer customers toward higher-margin items, so food inflation may reach consumers through mix and value perception as much as headline menu prices. Oriental Kopi's increasing use of centralised procurement and kitchen infrastructure should improve purchasing efficiency as the network expands, but centralisation also concentrates dependency as a disruption at a key supplier, central kitchen or warehouse affects a larger share of the network. Restaurants are unlikely to be the first point of supply failure, but they are an important channel through which imported food inflation reaches consumers.

Retailers

Supply availability and affordability become the key risks

Retailers sit furthest downstream, so exposure is less about direct commodity procurement and more about product availability, supplier pricing and consumer affordability. Sourcing breadth, inventory management and format matter most during an import shock. **99 Speed Mart Retail Holdings (BUY, TP RM4.37)** is relatively insulated from direct import disruption: around 99.97% of procurement is from local suppliers and about 93% of FY25 sales are essential, non-discretionary products. Food is roughly 70% of revenue, so the group is highly exposed to food inflation indirectly through supplier pass-through, but is not itself managing overseas imports. Its main defence is scale: a centralised procurement model supported by owned distribution centres and trucks, with supplier inventory buffers of around 10-20% for key categories, enabling frequent replenishment, direct negotiation and alternative sourcing when individual products tighten. The model also benefits when affordability dominates consumer behaviour. An estimated 85% of its customers are B40/M40 households, and its value positioning and neighbourhood format make it a natural beneficiary of trade-down. Recent data support this: 1HFY26 transactions rose 15.7% year-on-year while average basket

size held broadly stable at RM21.4, growth driven by footfall rather than price, which is the signature of a defensive format.

AEON Co. (M) (BUY, TP RM1.61) operates a broader supermarket, hypermarket and department-store model with greater direct exposure to imported goods and a larger inventory requirement. AEON targets more than 70% local procurement but imported private-label and other merchandise leaves it more exposed to freight, FX and overseas supplier disruption. Its response has centred on private label and essentials. Private-label penetration rose from below 5% of retail sales in FY23 to 17% by 1H25 and around 18% by mid CY26, while food's contribution to retail sales increased as consumers prioritised necessities. This cushions customers but dilutes retail margins as mix shifts toward lower-margin essentials. Retailers can shield consumers from imported inflation through scale, private label and alternative sourcing, but prolonged disruption forces a trade-off between availability and margin. Retailer resilience therefore depends less on commodity hedging than on supplier diversification, distribution capacity, inventory flexibility and value positioning. During a food shock, retailers with stronger procurement networks keep shelves stocked, while value-oriented formats may also capture trade-down.

Logistics, Ports And Cold-Chain Operators

Food security depends on the physical movement of goods

Malaysia's import dependence makes food security inseparable from ports, shipping lanes, warehouses and cold-chain infrastructure. Alternative suppliers offer little protection if food cannot be moved, stored or distributed reliably. The vulnerability differs by product. Grains and feed require bulk shipping and storage, dairy, meat, seafood and fresh produce depend on refrigerated transport. The more perishable the product, the less flexibility to wait out congestion or redirect cargo. Cold-chain capacity is particularly relevant given high import dependence in beef, mutton, dairy and selected fresh produce. Diversifying suppliers reduces concentration risk but sourcing from more origins increases the need for refrigerated storage, longer inventory cover and more complex logistics management. The systemic takeaway is that Malaysia can diversify import sources, but resilience still depends on sufficient port capacity, warehousing, refrigerated storage and transport infrastructure to handle those imports when global routes are disrupted.

MARKET STRATEGY

Prioritise resilience

Approaching it from a risk point of view

We approach the food-security theme through a risk point of view, rather than all food-related companies as equal beneficiaries of higher food prices. This is since any disruption that leads to food security issues will have negative impact on food-related sector. The preferred exposures should be companies with domestic production capacity, high self-sufficiency, diversified procurement, integrated operations, strong balance sheets and established distribution networks. Companies that depend heavily on imported commodities without pricing power, inventory buffers or alternative suppliers face the greatest earnings risk.

Plantations: Lowest risk

Plantations offer the strongest structural position because Malaysia produces substantially more palm oil than it consumes domestically. Physical availability is therefore unlikely to be the principal concern. Higher crude-oil prices may strengthen biodiesel economics and support

crude palm oil prices, while palm oil's discount to competing vegetable oils could improve substitution demand. The main domestic risk is higher cooking-oil and food-manufacturing costs, rather than a shortage of palm-based products. This makes plantations the clearest beneficiary within the food-security theme, although investors should remain mindful of labour availability, weather conditions and government intervention in subsidised cooking oil. In the plantation sector, we favour most of our coverage for now. We have a **BUY** call **on SD Guthrie (TP: RM7.65), Genting Plantation (TP: RM6.94), Sarawak Plantation (TP: RM5.36), Johor Plantation (TP: RM2.21) and Ta Ann (TP: RM6.72)**.

Integrated poultry and egg producers: Low to moderate risk

Chicken and eggs are among Malaysia's most self-sufficient essential foods, providing a strong domestic production buffer. However, the apparent resilience at the finished-product level masks substantial upstream reliance on imported corn and soybean meal. Integrated poultry producers are nevertheless better positioned than smaller farmers because they possess feed-milling capacity, procurement scale, forward-purchasing arrangements, foreign-exchange hedging and control over a larger part of the production chain. The main risks are feed-cost inflation and renewed price controls, rather than an immediate loss of domestic poultry capacity. **Leong Hup (BUY, TP: RM1.03)** and **QL Resources (NEUTRAL, TP: RM4.11)** are well positioned in this subsector.

Value retailers with strong domestic supply networks: Moderate-low risk

Retailers with extensive local-supplier networks, centralised procurement, owned distribution capacity and value-oriented formats should prove relatively defensive. They do not bear agricultural production risk directly and may benefit from consumers trading down towards essential products and lower-priced channels. **99 Speed Mart (BUY, TP: RM4.37)** appears comparatively resilient because most of its procurement is sourced through local suppliers, while its distribution centres, transport fleet and supplier inventory buffers support product availability.

Domestic Dairy Producers: Moderate-Low Risk

F&N (NEUTRAL, TP: RM25.71) is relatively well positioned in the dairy subsector through its integrated AgriValley dairy farm, which reduces dependence on imported finished dairy products and shortens the supply chain between production, processing and consumers. Its investment in local corn cultivation should also gradually strengthen upstream resilience. However, domestic milk production does not eliminate supply-chain risk. Dairy farming requires a continuous supply of corn, soybean meal, forage, minerals and other nutritional inputs, some of which remain imported. Higher feed, freight, energy and foreign-exchange costs could raise production expenses and reduce milk yields. We therefore classify domestic dairy as moderate-low risk, with F&N better positioned than import-dependent livestock businesses, although animal-feed availability and the pace of local feed substitution remain key risks.

Large, diversified food manufacturers: Moderate risk

Large manufacturers remain exposed to imported wheat, dairy ingredients, cocoa, coffee, sugar, packaging and energy. Nevertheless, multinational procurement networks, multiple suppliers, buffer inventories and stronger pricing power allow companies such as **Nestlé (BUY, TP: RM116.10)** to absorb or delay the transmission of external shocks. Their risk is principally margin compression if cost increases persist longer than procurement hedges and inventory protection. Smaller manufacturers with narrower supplier networks and a concentrated input

basket face greater pressure because they have fewer alternatives and may be more reluctant to raise prices for mass-market products.

Livestock: Highest Risk

Livestock, particularly beef and mutton, carries the highest food-security risk because Malaysia's self-sufficiency remains low at around 16.8% for beef and 8.5% for mutton. Domestic consumption therefore depends heavily on imported meat, while expanding local production requires breeding stock, land, feed, veterinary capacity and several production cycles. Supply cannot be increased quickly in response to external disruptions.

The segment is also exposed to higher feed, freight, insurance and refrigerated logistics costs, as well as climate-related disruptions in exporting countries. We remain cautious on livestock-related exposure and prefer companies with diversified approved suppliers, adequate frozen inventories, established cold-chain infrastructure and strong working-capital capacity. Unlike domestic dairy, livestock lacks a sufficiently large domestic production base to provide meaningful protection against a prolonged global supply shock.

Favouring resilience

For an investment point of view, we believe that while disruption in food security will impact all food-related companies, we recommend prioritising resilience in terms of weathering the disruption. In our opinion, demand for food products especially staples such as chicken, rice, cooking oil etc. will remain sticky, although the initial inability to fully pass through higher feed, fertiliser, energy and logistics costs may pressure margins. We therefore favour companies with domestic production capacity, vertically integrated operations, diversified procurement networks and strong balance sheets, as these attributes should provide greater earnings resilience during a prolonged supply disruption.

Companies with resilience

Stock	Recomm.	Share price as of 22/9 (RM)	TP (RM)	Expected share price return	Expected dividend yield	Expected total returns
Ta Ann	BUY	5.95	6.72	12.9%	6.7%	19.7%
Sarawak Plantation	BUY	4.52	5.36	18.6%	5.5%	24.1%
Genting Plantations	BUY	6.05	6.94	14.7%	4.5%	19.2%
Johor Plantations	BUY	1.88	2.21	17.6%	4.3%	21.8%
SD Guthrie	BUY	6.28	7.65	21.8%	3.1%	24.9%
Leong Hup	BUY	0.73	1.03	41.1%	3.8%	44.9%
QL Resources	NEUTRAL	3.91	4.11	5.1%	1.4%	6.5%
99 Speed Mart	BUY	3.23	4.37	35.3%	1.3%	36.6%
Fraser & Neave	NEUTRAL	22.80	25.71	12.8%	2.9%	15.6%
Nestlé (Malaysia)	BUY	89.16	116.10	30.2%	3.2%	33.4%

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology